

# Indiana

Department of Local Government Finance



*Committed to a fair and equitable property tax system for Hoosier taxpayers.*

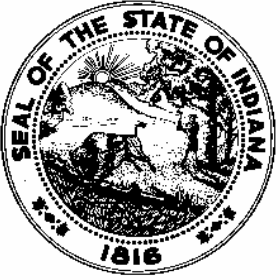
## **Local Government Finance 101**

**Commissioner Melissa K. Henson**

Indiana Government Center South, Indianapolis – February 9, 2007

Holiday Inn, Seymour – February 21, 2007

Marshall County Building, Plymouth – March 1, 2007



# Agenda

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- o Administrative
- o Department overview
- o Assessment
- o Budget
- Break
- o Data compliance
- o Questions & Answers



# Agency Overview

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## o **Mission** –

“Ensure property tax assessment and local government budgeting are carried out in accordance with Indiana law.”

## o **Organization** - 65 Positions, 60 On Board

- o Assessment: 19 (13 field)
- o Budget: 22 (16 field)
- o Operations: 13
- o Executive Office: 7



# Assessment at a Glance

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- o Promulgates real & personal property rules
- o State assessed distributable property
- o Base rate for agricultural assessments
- o Direct assessment of industrial facilities (\$25M +)
- o Annual adjustment (ratio study approval)



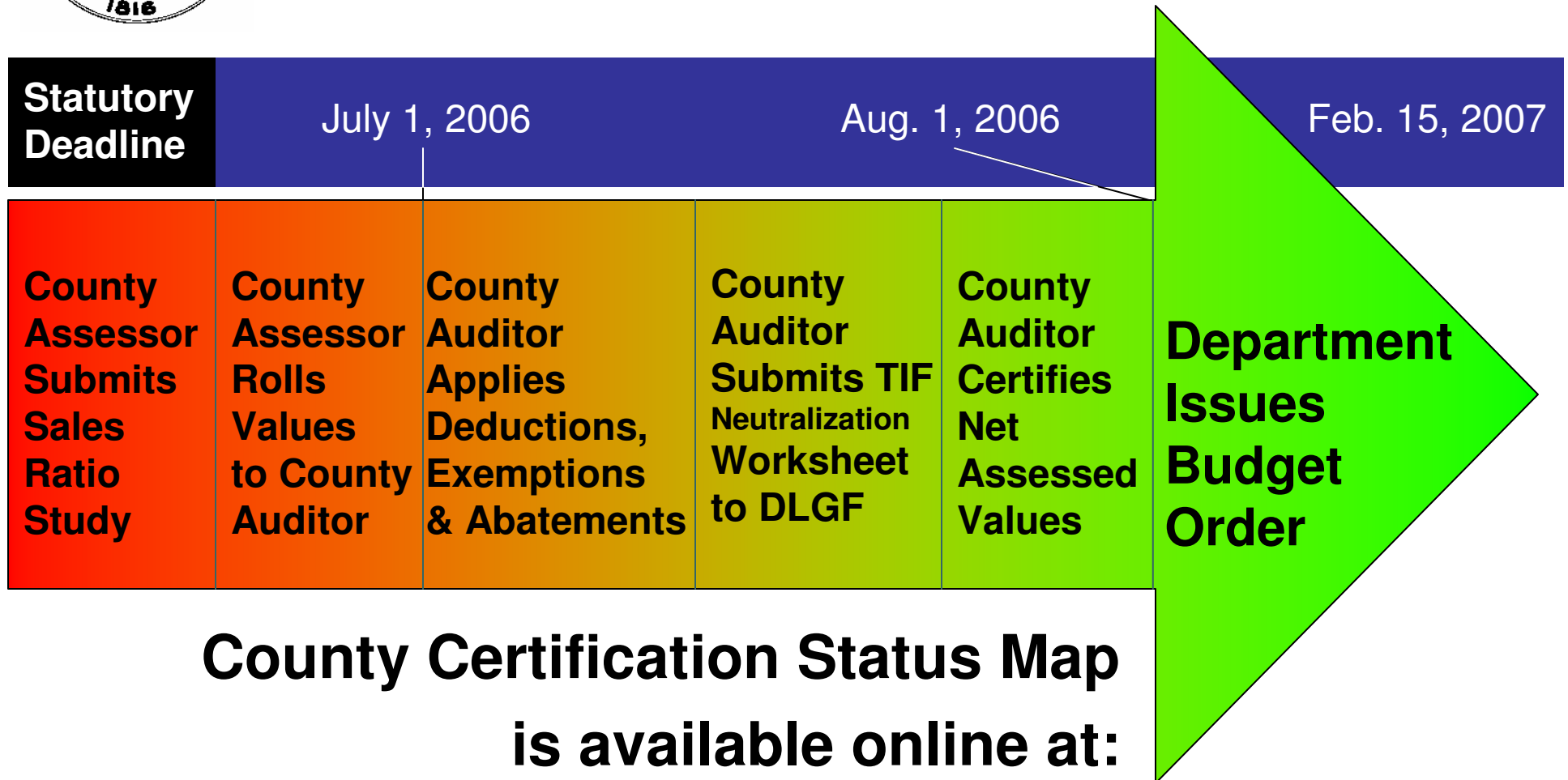
# Budget at a Glance

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- o Calculates income tax distributions, property tax replacement and homestead credits
- o Calculates budgets, tax rates and tax levies based on actions of local officials
- o Hold objection & fall budget hearings
- o Administer property tax control boards



# 2007 Certification Process



**County Certification Status Map**  
**is available online at:**  
[www.in.gov/dlgef](http://www.in.gov/dlgef)

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- o Updated as new information becomes available
- o Available online  
[www.in.gov/dlgf/local/cert\\_status.html](http://www.in.gov/dlgf/local/cert_status.html)
- o Link off the homepage

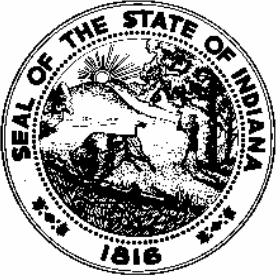
Indiana by Year of Establishment

Map showing Indiana counties color-coded by year of establishment:

- Red: 1800
- Yellow: 1810
- Brown: 1820
- White: 1830

Counties shown include: Lake, Porter, LaPorte, St. Joseph, Elkhart, Lagrange, Steuben, Noble, DeKalb, Kosciusko, Whitley, Allen, Jasper, Pulaski, Fulton, Wabash, Hunt-ington, Wells, Adams, Benton, White, Cass, Miami, Grant, Black-ford, Jay, Warren, Tippecanoe, Clinton, Tipton, Madison, Delaware, Randolph, Fount-ain, Montgomery, Boone, Hamilton, Henry, Wayne, Parke, Putnam, Hendricks, Marion, Hancock, Rush, Fayette, Union, Vermillion, Vigo, Clay, Morgan, Johnson, Shelby, Franklin, Owen, Monroe, Brown, Bartholomew, Decatur, Sullivan, Greene, Lawrence, Jackson, Jennings, Ripley, Dear-born, Ohio, Knox, Daviess, Martin, Orange, Washington, Scott, Jefferson, Switzerland, Gibson, Pike, Dubois, Crawford, Harrison, Clark, Floyd, Posey, Van-der-burgh, Warrick, Spencer, Perry.

Last Updated: 3/19/2007



# Assessment Division Overview

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**Barry Wood**

Assessment Division Director

BWood@dlgf.in.gov

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# Assessment Division Overview

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- o Annual Adjustments
- o Agricultural Land Value
- o Training



# Annual Adjustment Overview

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- o **Intent:**

- o More equitably distribute the property tax burden across a community by annually adjusting values based on sales
- o Continue annually – bridge gap between general reassessments (next scheduled for 2011)

- o **History:**

- o Part of the state's move to a market-based assessment system that began in 2002
- o First appeared in law in 2001
- o Delayed by legislature in 2005
- o First apply in 3/1/06 – move from 99 value to 05

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# Annual Adjustment Overview

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## o How it works:

- o Assessing officials compare a property's previous assessment to sales of like properties in a community
- o Assessors create factors based upon these comparisons for all types of properties
- o County assessors compile information & submit to Dept. for review
- o Dept. reviews for accuracy based on number of sales used and for compliance with international standard
- o Once approved by Dept., county assessor **MUST** send notice to taxpayer (Form 11)
- o Taxpayer has 45 days to appeal



# Annual Adjustment Overview

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- o **Key Points:**

- o An increase in the assessment does not necessarily cause an increase in taxes
- o Annual adjustments do not affect deductions or credits applied to property
- o Effect on tax bills is difficult to estimate without knowing local spending

**TAX RATE** = Estimate of funds to be raised/net assessed value



# Annual Adjustment Status

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- o 87 Counties have submitted ratio studies
- o 63 Counties have approved studies
- o 25 Counties have submitted Net AVs
  
- o **Bottom line**
  - o This is an Investment – the rough start will be worth it in the long-term.



# Agricultural Land Value

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- o Department sets land value base rate for state
- o Calculated by a 6-year rolling average of market value in use
- o March 1, 2006 assessment - \$880
- o March 1, 2007 assessment - \$1,140
- o Reasons for increase:
  - o Interest rates dropped more than 2 percent
  - o Corn and soybean yields increased
  - o Prices for both corn and soybeans increased from 1999 - 2004



# Training

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- o Certified Assessor/Appraiser
  - o 5 Level I & 4 Level II courses in 2007
- o New requirements:
  - o Attain Level I within the first year in office
  - o Attain Level II within two years in office
  - o Failure results in moving real property duties to the County Assessor



# Budget Division

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**Dan Jones**

Assistant Director of Budget Division

[djones@dlgf.in.gov](mailto:djones@dlgf.in.gov)

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# Budget Division Overview

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- o Certify budgets, tax rates and levies for over 2,600 taxing units
- o Conduct remonstrance hearings against new debt, budgets, capital project funds and cumulative funds
- o Certify income tax calculations (CAGIT, COIT, CEDIT)
- o Certify maximum levies
- o Administer tax control boards
- o Prepare budget manuals

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# Certification of Tax Rates, Budgets

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- o County Auditor submits Net Assessed Values to Department by August 1<sup>st</sup>
- o Department conducts public hearings in October to obtain public input
- o Department starts review of budgets after fall hearings are complete
- o Department reviews budgets for maximum allowable growth (aggregate review)



# Certification of Tax Rates, Budgets

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- o Department certifies budget orders by Feb. 15 (normal conditions)
- o County Auditor prepares tax duplicate and abstract
- o Auditor of State approves abstract
- o Auditor advertises final tax rates 3 times, one week apart before billing
- o County prepares tax bills to be mailed
- o Taxes due May 10 & Nov.10 – Exceptions must be approved by Department



# Budget Issues

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- o Extensions
- o Budget Appropriations, cuts to budgets
- o Partial certifications
- o Provisional bills
- o Be aware of possible late property tax collections and distributions



# Tax Control Boards

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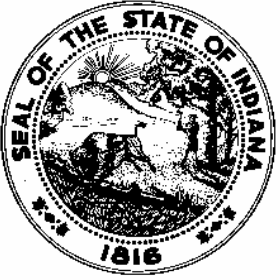
- o Allows for **expert review** of capital projects
- o Two separate boards:
  - o Local Government Property Tax Control Board
  - o School Property Tax Control Board
- o Each board makes recommendations to the Commissioner to approve, modify, or deny indebtedness



# School Control Board

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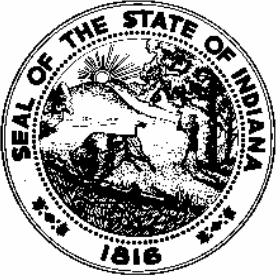
- o One member appointed by the State Board of Accounts
- o One member appointed by the Department
- o One member may be recommended by State Superintendent of Public Instruction
- o Two members are citizens of Indiana who DO NOT hold elected/appointed offices
- o Two members: School business official & an engineer
- o Two ex-officio non-voting members from Senate/House



# Local Gov. Control Board

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- o One member appointed by State Board of Accounts
- o One member appointed by Department
- o Five members appointed by Governor
- o Two ex-officio nonvoting members appointed by Senate/House



# Issues before Control Boards

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- o Leases
- o GO Bonds
- o Excessive levy appeals
- o Public Works projects





# Budget Contact Information

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- o Field Reps: 317-232-3773
- o School Control Board: 317-232-3774
- o School additional app.: 317-232-3774
- o Local Control Board: 317-233-5457
- o Local additional app.: 317-232-3758
- o Fax: 317-232-8779
- o Web: [www.in.gov/dlgf/](http://www.in.gov/dlgf/)

# **Break**

**The learning continues  
in 15 minutes.**



# Data Compliance & Operations

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**Brenda Dudley**

Assistant Director of Data Analysis

BDudley@dlgf.in.gov



# Data Compliance

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- o Data Compliance
- o Basic Explanation of Data File
- o Data Review Procedure
- o State Property Tax Replacement Credit (SPTRC)
- o Statewide Software Standard



# Why is Property Tax Data Important?

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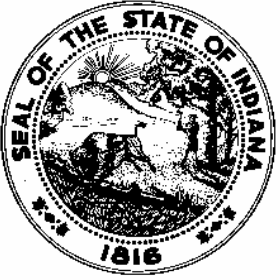
- o Statewide Database of all 3 million parcels
- o Analyze “What if” scenarios
  - o Ex: What will happen if we raise the Homestead deduction to \$45,000?
- o Analyze “What Happened”
- o Ensure Fair and Equitable Tax System



# Why is Data Compliance Important?

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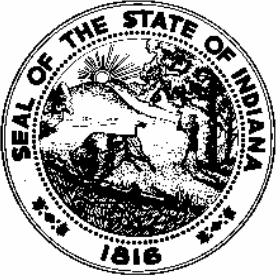
- o Creation of the Statewide Database
- o 92 Counties (368 datasets for 1 year)
  - o Assessor Data (Parcel Level data)
  - o Personal Property Data (Return Level data)
  - o Sales Disclosure Data (Form Level data)
  - o Auditor Data (Tax bill Level data)



# Local Uses for Data

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- o Personal Property
  - o Missed filings
  - o Large mistakes on the forms or in data entry
  - o Economic Development
- o Auditor Data
  - o Net Tax Due



# Sales Disclosure Data File Formats

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- o Sample Fields
  - o Parcel Number
  - o Legal Description
  - o Parcel Address
  - o Buyer Name
  - o Seller Name
  - o Sale Date
  - o Sale Price
  - o Many others





# File Formats

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- o All the fields in the File Formats MUST be captured:
  - o Either Data Entered
  - o Calculated
  - o Captured by Scanner
  - o Obtained from your Assessor data (some Sales Disclosure Data)
- o Describes the layout of a Text file
  - o Order of the data
  - o Number of characters each field must fill
  - o DO NOT OPEN



# Data Review Procedures

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- o Submit all data to Diane Powers
  - o [dpowers@iga.state.in.us](mailto:dpowers@iga.state.in.us)
  - o Mail to:
    - Legislative Services Agency
    - Office of Fiscal and Management Analysis
    - 200 W. Washington St., Suite 301
    - Indianapolis IN 46204
    - Attention: Diane Powers
- o Data questions: [data@dlgf.in.gov](mailto:data@dlgf.in.gov)



# Data Review Procedures

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- o Diane acknowledge receipt of data
- o Reviewed by LSA & Department data analysts independently
- o LSA and Department Staff meet once a week to discuss new data
- o Once both agencies agree on the status, a compliance worksheet is mailed
- o Every 4 months Statewide Data Status is sent



# Compliance Worksheets

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- o Assessor (Real & Personal) Compliance Worksheets are mailed to the County Assessor
- o Tax Bill Compliance Worksheets are mailed to the County Auditor
- o Sales Disclosure Compliance Worksheets are emailed to the County Assessor



# State Property Tax Replacement Credit

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- o SPTRC is a credit shown on tax bills
- o Distributed to units the same as property tax dollars
- o Distributed to counties 7 times per year



# State Property Tax Replacement Credit Withholding

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- o Began withholding from the 10 least compliant counties in 2006
  - o Released 6, added 9 in Jan. 07 (13 currently)
  - o Effects only county unit (not schools, cities, etc.)
- o Department periodically reviews status of all counties' datasets. We look at the following:
  - o Compliance vs. Non-compliance Status
  - o How recent the dataset was submitted
  - o Correspondence
  - o Priority of dataset



# State Property Tax Replacement Credit Withholding

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- o Review data for timely submission - priority to sales, assessor, & auditor data
- o Department provides at least 30 days notice prior to withholding
- o Continues until released by the Commissioner
- o Once SPTRC is released, county receives all distributions within three to four business days



# Statewide Software Standard

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- o Intent
  - o Consolidate information systems
  - o Link assessment to tax & billing
  - o Eliminate duplicative manual data entry
- o History
  - o Legislature instructed Dept. to write new rule (2005)
  - o Passed 50 IAC 23 in July 2006
    - o Established standards & testing protocol for vendor software
    - o Set 12/31/08 as deadline for acquiring state-certified system

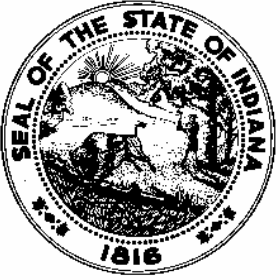




# New Statewide System Rule (50 IAC 23)

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- o Four-phase certification process:
  - o **Phase 1**  
Certify that the vendor software does what it is advertised to do and meets the requirements of 50 IAC 23
  - o **Phase 2**  
Vendors demonstrate integration with each other
  - o **Phase 3**  
Dept. approves solution chosen by county officials
  - o **Phase 4**  
Final test of all software after it is installed in a county by independent 3<sup>rd</sup> party



# New Statewide System Rule (50 IAC 23)

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- o Software certification testing ready
- o Met with vendors Dec. 13 to outline certification process
- o Data set available online at [www.in.gov/dlgf/rates](http://www.in.gov/dlgf/rates)
- o Email certification questions to [VendorInfo@dlgf.in.gov](mailto:VendorInfo@dlgf.in.gov)

# Questions & Answers



# Questions & Answers

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- o Barry Wood, Assessment Division  
BWood@dlgf.in.gov
- o Dan Jones, Budget Division  
DJones@dlgf.in.gov
- o Brenda Dudley, Data Analysis Division  
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- o Renee Lambermont, Legal Division  
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# Contact Us

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**Agency Phone:** 317-232-3773

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**Web:** [www.in.gov/dlgf/](http://www.in.gov/dlgf/)

**Email:** [PropertyTaxInfo@dlgf.in.gov](mailto:PropertyTaxInfo@dlgf.in.gov)